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March 30, 2007

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

Dear Ms. Cole:

Enclosed for official filing in Docket No. 070007-EI are an original and fifteen copies of the following:

1. Prepared direct testimony of J. O. Vick.
2. Prepared direct testimony and exhibit of Rhonda J. Martin.

Sincerely,

Susan D. Ritenour
buh

CMP _____
COM 5
CTR Dg
ECR 1
GCL 1 bh
OPC _____
RCA 1 Enclosures
SCR _____ cc w/encl.: Beggs & Lane
SGA _____ Jeffrey A. Stone, Esq.
SEC _____
OTH _____

Martin *Vick*
DOCUMENT NUMBER-DATE DOCUMENT NUMBER-DATE
02817 APR-26 02816 APR-26
FPSC-COMMISSION CLERK FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: **Environmental Cost**)
Recovery Clause)
_____)

Docket No.: **070007-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 30TH day of MARCH, 2007, by Regular U. S. Mail to the following:

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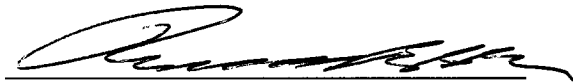
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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENVIRONMENTAL COST RECOVERY
CLAUSE**

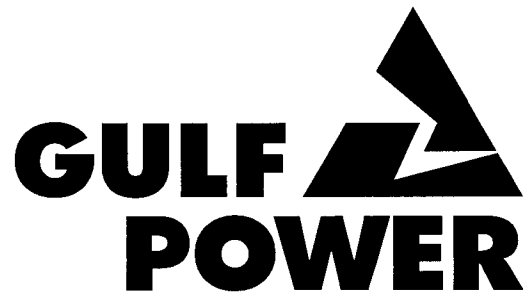
DOCKET NO. 070007-EI

**PREPARED DIRECT TESTIMONY
OF
JAMES O. VICK**

**FINAL TRUE-UP FILING
FOR THE PERIOD**

JANUARY 2006 – DECEMBER 2006

APRIL 2, 2007



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

02816 APR-25

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 James O. Vick
Docket No. 070007-EI
April 2, 2007

5 Q. Please state your name and business address.

6 A. My name is James O. Vick and my business address is One Energy Place,
7 Pensacola, Florida, 32520.

8
9 Q. By whom are you employed and in what capacity?

10 A. I am employed by Gulf Power Company as the Director of Environmental
11 Affairs.

12
13 Q. Mr. Vick, will you please describe your education and experience?

14 A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a
15 Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's
16 Degree in Civil Engineering from the University of South Florida in Tampa,
17 Florida. In addition, I have a Masters of Science Degree in Management
18 from Troy State University, Pensacola, Florida. In August 1978, I joined Gulf
19 Power Company as an Associate Engineer and have since held various
20 engineering positions with increasing responsibilities such as Air Quality
21 Engineer, Senior Environmental Licensing Engineer, and Manager of
22 Environmental Affairs. In 2003, I assumed my present position as Director of
23 Environmental Affairs.

24

25

1 Q. What are your responsibilities with Gulf Power Company?

2 A. As Director of Environmental Affairs, my primary responsibility is overseeing
3 the activities of the Environmental Affairs area to ensure the Company is, and
4 remains, in compliance with environmental laws and regulations, i.e. both
5 existing laws and such laws and regulations that may be enacted or amended
6 in the future. In performing this function, I am responsible for numerous
7 environmental activities.

8
9 Q. Are you the same James O. Vick who has previously testified before this
10 Commission on various environmental matters?

11 A. Yes.

12
13 Q. Mr. Vick, what is the purpose of your testimony?

14 A. The purpose of my testimony is to support Gulf Power Company's true-up for
15 the period from January 1, 2006 through December 31, 2006.

16
17 Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs
18 included in the final true-up calculation for the period January 2006 through
19 December 2006 with the approved estimated true-up amounts.

20 A. As reflected in Ms. Martin's Schedule 6A, the recoverable capital costs
21 included in the estimated true-up total \$29,694,980, as compared to the
22 actual recoverable capital costs of \$30,031,688. This results in a variance of
23 \$336,708 or 1% above the estimated true-up. I will address five projects that
24 contribute to this variance: the Crist DEP Project, Crist Stormwater Collection
25 System, Crist Water Conservation Project, Crist Condenser Tubes, and SO₂

1 Allowances.

2
3 Q. Please explain the capital project variance of 2% or \$414,973 in the Crist
4 DEP Project (Line Item 1.19).

5 A. The Crist DEP Project deviation primarily resulted from an increase in the
6 dismantlement accrual for Plant Crist associated with the addition of the Crist
7 Unit 7 selective catalytic reduction (SCR). Gulf's cost estimates for
8 dismantlement for Plant Crist were approved in FPSC Order No. PSC-06-
9 0348-PAA-EI issued April 24, 2006, in Docket No. 050381-EI. The
10 implementation date of the new dismantlement provisions was January 1,
11 2006; therefore, a retroactive adjustment was made to the Company's books
12 in July 2006. The 2006 estimated true-up filing was based on actual dollars
13 booked through June and, therefore, did not include the adjustment made to
14 the books in July. The Crist DEP Project line item now reflects the
15 dismantlement accrual associated with the Crist Unit 7 SCR for the period
16 January through December 2006.

17
18 Q. Please explain the (23%) variance of (\$9,018) for Crist Stormwater
19 Collection System (Line Item 1.20).

20 A. Construction of the Crist Switchyard Stormwater project was delayed due to
21 additional design modifications that were needed to connect the new
22 stormwater sump to the existing piping system. The sump discharge
23 structure and bottom were lowered to accommodate the existing underground
24 stormwater piping. The delay in placing this project into service resulted in
25 the actual depreciation expense being less than originally projected.

1 Q. Please explain the (56%) variance of (\$1,833) in the Crist Water
2 Conservation Project (Line Item 1.24).

3 A. The Crist Water Conservation project included the installation of automatic
4 level controls on the plant's fire water tanks to reduce groundwater usage.
5 The project was postponed several months while Gulf considered relocating
6 the fire tanks, which resulted in a delay in spending and the project was
7 placed in-service one month later than originally anticipated. This delay in
8 spending resulted in actual capital costs being less than estimated.

9
10 Q. Please explain the capital project variance of (\$69,489) or (9%) in the Crist
11 Condenser Tubes (Line Item 1.25).

12 A. The variance in Line Item 1.25, Crist Condenser Tubes, is primarily due to a
13 delay in the release of the retainage payment due under the contract. Gulf is
14 holding this retainage until the project is completed. The Crist Unit 6
15 condenser is currently in service; however, the vendor has not completed all
16 of its contracted work. Due to schedule delays, the outlet waterbox coatings
17 were not installed. The remaining work has been planned for the Fall of 2007
18 outage.

19
20 Q. Please explain the capital variance of \$37,713 or 6% in SO₂ Allowances
21 (Line Item 1.26).

22 A. The SO₂ Allowance variance was due primarily to a higher allowance
23 inventory than originally projected, which resulted in higher carrying costs.
24 Fewer allowances were surrendered in the period than had been budgeted
25 because more low sulfur coal was purchased than was originally anticipated.

1 Q. How do the actual O&M expenses for the period January 2006 to December
2 2006 compare to the estimated true-up?

3 A. Ms. Martin's Schedule 4A reflects that Gulf's recoverable environmental O&M
4 expenses for the current period were \$8,629,958, as compared to the
5 estimated true-up of \$10,612,425. This results in a net variance of
6 \$1,982,467 or 19% below the estimated true-up. I will address six O&M
7 projects and programs that contribute to this variance -- Title V, General
8 Water Quality, Groundwater Contamination Investigation, Above Ground
9 Storage Tanks, FDEP NO_x Reduction Agreement and SO₂ Allowances.

10
11 Q. Please explain the (24%) variance of (\$17,614) in Title V (Line Item 1.3).

12 A. Gulf Power submitted Title V permit renewal applications for Plants Crist,
13 Smith, and Scholz during 2004. The revised permits became effective on
14 January 1, 2005. The 2006 permit implementation costs were less than
15 originally anticipated.

16
17 Q. Please explain the variance of (\$130,579) or (25%) in the category General
18 Water Quality (Line Item 1.6).

19 A. The General Water Quality variance primarily resulted from reducing the
20 scope of the surface water studies and postponing portions of the plant
21 groundwater investigation projects. The number of samples collected during
22 the 2006 surface water studies was reduced resulting in lower sampling and
23 laboratory charges. The Plant Scholz groundwater investigation project was
24 delayed while Gulf awaited the Florida Department of Environmental
25 Protection's response to the groundwater study.

1 Q. Please explain the (7%) variance of (\$80,078) in the category Groundwater
2 Contamination Investigation (Line Item 1.7).

3 A. The Shalimar substation excavation activities were not conducted during
4 2006 because underground utilities were located within the proposed
5 excavation area. Gulf is currently working with the property owner to obtain
6 approval to revise the remediation and excavation plan to include setbacks
7 from the underground utilities.

8
9 Q. Please explain the variance of (\$74,840) or (78%) in the category entitled
10 Above Ground Storage Tanks (Line Item 1.12).

11 A. Plant Crist originally planned to recoat several above ground storage tank
12 concrete secondary containment areas during 2006. After further
13 examination, Plant Crist determined that this work could be postponed.

14
15 Q. Please explain the (10%) variance of (\$208,603) in Line Item 1.19, FDEP
16 NO_x Reduction Agreement.

17 A. This O&M line item includes the cost of anhydrous ammonia, urea, air
18 monitoring, and general operation and maintenance expenses related to the
19 activities undertaken in connection with the FDEP NO_x Reduction Agreement.
20 The anhydrous ammonia and urea expenses are dependent on the available
21 coal supply, unit load, and market value. The price of anhydrous ammonia
22 and urea was less than projected in the estimated true-up filing. In addition,
23 less urea was required for the operation of the selective non-catalytic
24 reduction (SNCR) system than originally anticipated.

25

1 Q. Please explain the variance of (\$1,459,510) or (31%) in SO₂ Allowances (Line
2 Item 1.20).

3 A. The SO₂ Allowance variance resulted from burning lower sulfur coal. More
4 low sulfur coal was purchased from the spot market than was originally
5 anticipated and, therefore, fewer allowances were surrendered in the period
6 than had been budgeted.

7
8 Q. Mr. Vick, does this conclude your testimony?

9 A. Yes.


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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 070007-EI

Before me the undersigned authority, personally appeared James O. Vick, who being first duly sworn, deposes, and says that he is the Director of Environmental Affairs of Gulf Power Company, a Florida corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.



James O. Vick
Director of Environmental Affairs

Sworn to and subscribed before me this 30th day of March, 2007.



Notary Public, State of Florida at Large

Commission Number:

Commission Expires:

